

REPORT OF
EXAMINATION

OF

UTIC INSURANCE COMPANY
BIRMINGHAM, ALABAMA

AS OF

DECEMBER 31, 2017

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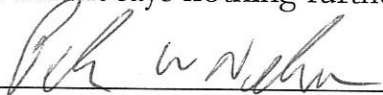
EXAMINER'S AFFIDAVIT

STATE OF ALABAMA COUNTY OF JEFFERSON

Palmer W. Nelson, CFE, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of UTIC Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of UTIC Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

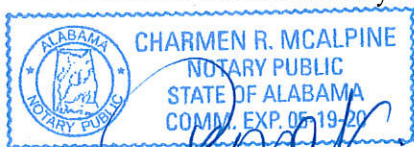
The affiant says nothing further.



Palmer W. Nelson, CFE

Subscribed and sworn before me by Palmer W. Nelson on the 8th day of March, 2019.

(Seal)





(Signature of Notary Public)

My commission expires 05/19/2020.



KAY IVEY
GOVERNOR

JIM L.
RIDLING
COMMISSIONER

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RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

March 8, 2019

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2017, has been made of

**UTIC Insurance Company
Birmingham, AL**

at its home office located at 450 Riverchase Parkway East, Birmingham AL 35244. The report of examination is submitted herewith. Where the description "The Company" or "UTIC" appears herein, without qualification, it will be understood to indicate UTIC Insurance Company.

SCOPE OF EXAMINATION

We have performed our multi-state examination of UTIC Insurance Company. The last examination covered the period of January 1, 2008 through December 31, 2012. This examination covers the period January 1, 2013 through December 31, 2017.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama, 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature are not included within the examination report but separately communicated to other regulators and/or the company.

The Company has the same information systems (IS) environment as its ultimate parent, BCBSAL. As such, an examination of BCBSAL's IS environment was conducted concurrently with this financial examination. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, compliance with producers' licensing requirements, and

privacy policies and practices. See “**MARKET CONDUCT ACTIVITIES**” on page 12 for further discussion of the Company’s Market Conduct examination.

The Company’s annual statements for each year under examination were compared with the corresponding general ledger account balances. During the period covered by the examination, the Company was audited by Ernst & Young, LLP, Certified Public Accountants (CPA’s). The CPA’s workpapers were used in the examination as deemed appropriate by the examiners.

BCBSAL Internal Audit (I/A) Department functioned as the Company’s I/A Department for the examination period.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2017.

ORGANIZATION AND HISTORY

The Company was incorporated on January 31, 1964 in Birmingham, Alabama as the Modern American Life Insurance Company, a legal reserve life company. It commenced business with 10,000 shares of \$1 par value (\$10,000) common stock and 1,700 shares of \$55 par value preferred stock (\$93,500), which resulted in \$103,500 aggregate capital.

The following summary chronologically presents significant changes affecting the Company prior to the current examination period:

1966 – Articles of Incorporation were amended. The number of shares of common stock was increased and par value was increased. The preferred stock was retired and converted to common stock.

1968 - Acquired by Veterans Life Insurance Company in Atlanta, Georgia, and its name was changed to Physicians and Educators Life Insurance Company.

1972 - Merged with United Trust Life Insurance Company, a subsidiary of United Financing and was relocated to Opp, Alabama. The surviving company was United Trust Life Insurance Company.

1982 - Acquired by Columbia Life Insurance Company and Peoples Savings Life Insurance (Peoples Savings), each owning 50% of the outstanding stock, and the home office moved to Tuscaloosa, Alabama.

1983 - Peoples Savings assumed all the Company's insurance business, and Willoughby and Association, Inc. acquired all of the capital stock.

1984 - Acquired by Alabama Industries Financial Corporation (AIFC).

1986 - AIFC was acquired by Blue Cross and Blue Shield of Alabama (BCBSAL).

1986 - The Articles of Incorporation were amended to increase the authorized shares of common stock from 40,000 to 400,000 shares of \$2.50 par value. The Company's home office was moved to Birmingham, Alabama, and AIFC contributed \$875,000 as additional paid-in surplus that same year.

1988 - The Certificate of Authority was changed from life to disability coverage only following a lawsuit filed in January 1986 by Protective Life Insurance Company in which the Circuit Court entered an order holding that BCBSAL could not own and operate a life insurance company.

1988 - Amended its Articles of Incorporation to change its name to United Trust Insurance Company.

2004 - Assumed 100% of the risk for one specific long-term care (LTC) policy issued by BCS Insurance Company.

2011 - Assumed 100% of the risk associated with LTC policies previously written by its ultimate parent, BCBSAL.

2012 - Sold its short-term disability (STD) business to USABLE Life in the fourth quarter of 2012.

2014 - United Trust Insurance Company changed its name to UTIC Insurance Company. The Company was licensed and authorized to transact accident and health business in the state of Tennessee by the Tennessee Department of Commerce and Insurance.

2015 - Began offering Medicare Part D prescription drug coverage in Tennessee.

At December 31, 2017, the Company had \$1,000,000 in common capital stock and \$986,029 in gross paid-in and contributed surplus.

MANAGEMENT AND CONTROL

Stockholder

The Company is a stock corporation with ultimate control vested in its stockholder. The Company's sole stockholder is Alabama Industries Financial Corporation (AIFC), which is wholly-owned by Blue Cross and Blue Shield of Alabama (BCBSAL).

Board of Directors

Directors are elected at the annual meeting of the stockholders and serve until their successors are elected and qualified which is in accordance with the Company's By-Laws. The following Directors were serving at December 31, 2017:

Name and Address	Principal Occupation
Terry Dee Kellogg FSA* Birmingham, AL	Chief Executive Officer Blue Cross and Blue Shield of Alabama
Dick Dowling Briggs III M.D. Birmingham, AL	Chief Business Officer Blue Cross and Blue Shield of Alabama
Cynthia Mizell Vice Birmingham, AL	Chief Financial Officer Blue Cross and Blue Shield of Alabama
Timothy Vines Birmingham, AL	President and Chief Operating Officer Blue Cross and Blue Shield of Alabama

*Retired on March 28, 2018

Officers

Article II, Section VI of the By-Laws states:

The board of directors shall elect from their number a President, a Secretary, and a Treasurer. One person may serve as President and also as Treasurer. One person may serve as Secretary and also as Treasurer, but the offices of President and of Secretary shall not be combined in one person.

The following officers were elected by the Board of Directors and were serving as of December 31, 2017:

Name	Title
Terry Dee Kellogg FSA	President
Dick Dowling Briggs III M.D.	Vice President
Timothy Vines	Vice President
John Matthew Bolling Moor	Vice President
Cynthia Mizell Vice	Treasurer
Michael Lenard Patterson	Secretary

Committees

The Company's Board did not appoint any committees of the Board of Directors. The Company utilizes the Audit Committee of BCBSAL as the audit committee.

Conflict of Interest

The Company adopted a Conflict of Interest policy which was approved by the Board of Directors. This policy requires Conflict of Interest Statements be signed every year by directors, officers, and other employees.

All conflict of interest statements were complete for all years under review with one exception. One officer did not complete the 2016 Conflict Of Interest Statement as required by the Company.

CORPORATE RECORDS

The Articles of Incorporation, By-Laws including the amendments thereto and the minutes of the corporate meetings that took place during the examination period were reviewed and appeared to provide for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations. Effective October 2, 2014, the Company changed its name from United Trust Insurance Company to UTIC Insurance Company. The Company adopted By-Laws which reflect the following:

- The power to alter, amend, or repeal these By-Laws or adopt new By-Laws shall be vested in the board of directors and these By-Laws may be altered, amended or repealed or new By-Laws adopted by the majority of the directors present at a meeting at which a quorum is present.
- However, By-Laws made by the board of directors may be repealed or changed, and new By-Laws made, by stockholders and the stockholders may prescribe that any By-Law made by them shall not be altered, amended, or repealed by the directors.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company, a wholly-owned subsidiary of Alabama Industries Financial Corporation (AIFC), is deemed to be subject to the Alabama Insurance Holding Company Regulatory Act as defined ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as a registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company, as registrant.

Dividends to Stockholders

No dividends were paid to the Company's sole stockholder, AIFC, during the examination period.

Management and Service Agreements

Administrative Service Agreement – BCBSAL

Effective, May 31, 2010, the agreement was between the Company and BCBSAL. The Company was responsible for:

- Providing daily sales and marketing efforts of Able Benefit Solutions (ABS).
- Issuing master policies and other appropriate forms to persons enrolled in disability insurance.
- Providing BCBSAL with a written description of the benefits provided and other descriptive literature regarding procedures and operations.
- Reimbursing BCBSAL for administrative services provided.
- Invoicing ABS quarterly for costs.

BCBSAL provided the following administrative services to the Company:

- Preparing forms of master policies and other related legal documents necessary to conduct the Company's business.
- Compensating US Able Life (US Able) in accordance contractual provisions. The agreement with US Able was terminated at December 31, 2012.
- Providing or making available the Company's reports and records in accordance with contractual provisions.
- Acting on behalf of the Company for the purpose of servicing activities necessary to implement the agreement.
- Providing all accounting, legal, and auditing services necessary for the operation of the Company.
- Supplying personnel staffing as needed.
- Providing such other managerial, administrative, and professional services as may reasonably be necessary for the conduct of the Company's business.
- Filing with the Department of Insurance master policies and all other required documents.
- Invoicing the Company for expenses to be reimbursed relating to ABS cost centers reported on BCBSAL books.
- Invoicing the Company for commissions paid on its behalf.

All stop-loss reinsurance agency fees received (including commissions) were remitted to the Company. The Company reimbursed BCBSAL for any costs incurred for collecting the reinsurance agency fees. All amounts owed were billed and reimbursed monthly. The agreement was automatically renewable for successive terms of one

year and could be terminated by written notice 180 days before the end of any one-year term.

The agreement was approved by the Commissioner of Insurance on June 7, 2010.

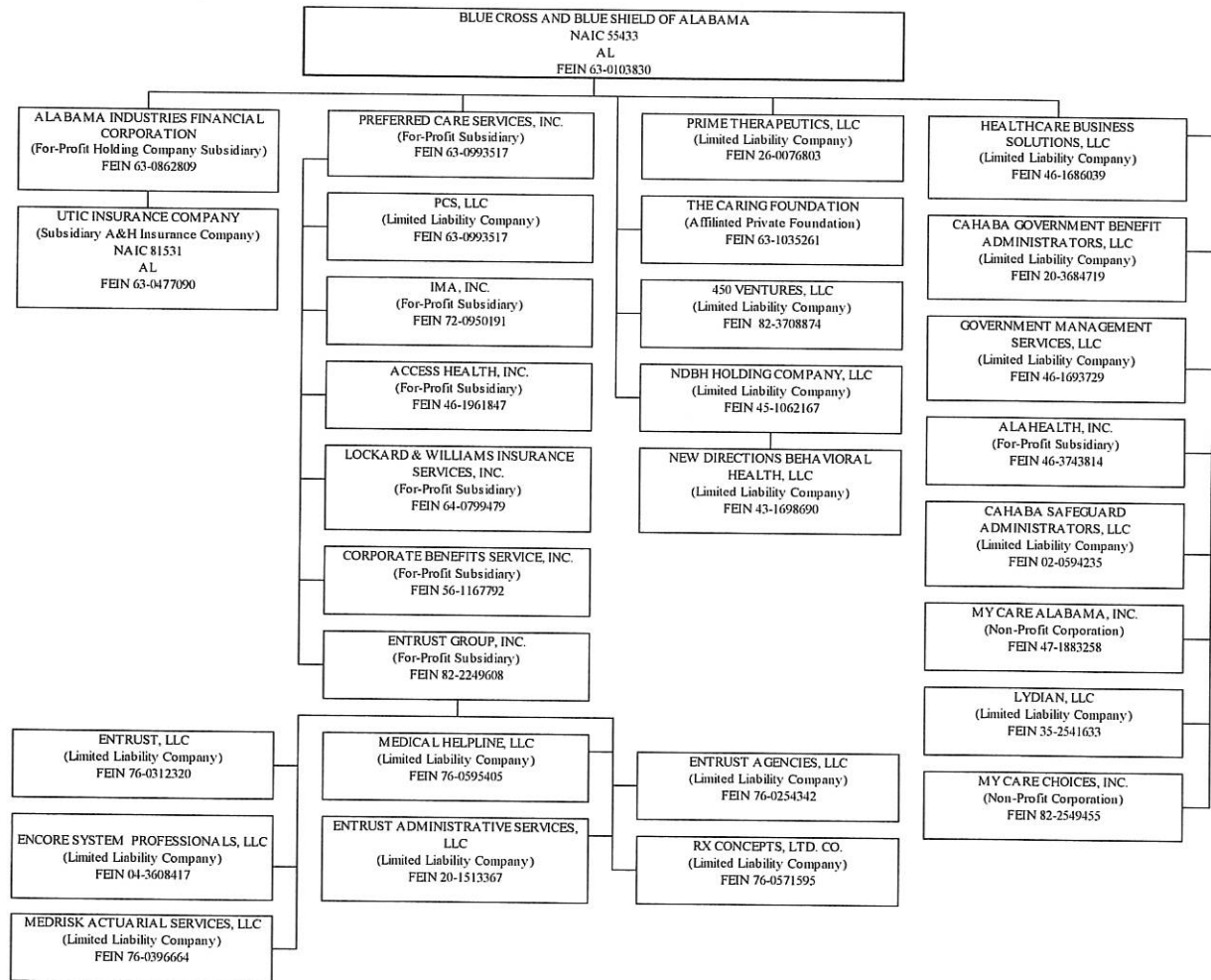
Tax Settlement Agreement – BCBSAL

Effective, June 2, 2014, the agreement was between the Company and BCBSAL. Upon mutual agreement, for settlement of the 2013 and subsequent consolidated federal tax returns, the intercompany settlement rate shall be 20%. In the event the consolidated tax return is not subject to alternative minimum tax, the intercompany settlement rate shall reflect the rate to which the consolidated entity is subject.

ORGANIZATIONAL CHART

The chart on the following page presents the corporate affiliations of the Company as of December 31, 2017.

ORGANIZATIONAL CHART



FIDELITY BOND AND OTHER INSURANCE

A financial institution bond was issued to Blue Cross and Blue Shield of Alabama by Travelers Casualty and Surety Company of America, which met the suggested minimum requirements of the NAIC *Financial Condition Examiners Handbook*. In addition to the aforementioned fidelity bond, the Company was a named insured on the following policies to protect the Company against hazards to which it may be exposed:

- Auto Coverage provided by Travelers Property and Casualty Company
- Flood Insurance Policy provided by Selective Insurance Company of the Southeast
- Blanket Coverage provided by Travelers Indemnity Company which included:
 - Building and Personal Property
 - Personal Property on Each Premises and In-Transit
 - Valuable Papers
 - Accounts Receivables on Premises and In-Transit
 - Newly Constructed or Acquired Building
 - Utility Service
- Commercial Excess Liability Umbrella Insurance provided by Travelers Property Casualty Company
- Private Company Directors and Officers Liability provided by Travelers Bond & Specialty Insurance for the first layer. Additional layers provided by various other carriers.
- Managed Care Errors and Omissions provided by National Fire & Marine Insurance Company for the first layer. Additional layers provided by various other carriers.
- Cyber Insurance policy provided by Aspen Specialty Insurance Company for the first layer. Additional layers provided by various other carriers.

The coverages and limits carried by the Company were reviewed during the course of the examination and appeared to adequately protect the Company's interests at the examination date.

EMPLOYEE AND AGENT WELFARE

The Company had no employees, provided no direct benefits, and had no employee benefit plans in effect during the examination period. All administrative and employee services were provided by Blue Cross and Blue Shield of Alabama via the

administrative services agreement discussed on page 8 under the heading “Management and Service Agreements.”

Compliance with 18 U.S.C. § 1033

ALA. ADMIN. CODE 482-1-146.-11 (2009) states, in part:

- (1) A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following:
 - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
 - (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.
- (2) Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
- (3) As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed and the effectiveness of the procedures.

The Company was in compliance with 18 U.S.C. § 1033.

MARKET CONDUCT ACTIVITIES

Territory

The Company was licensed to provide disability insurance in Alabama during the examination period. The Company also held a license in Tennessee for accident and health business. The Certificates of Authority were inspected and found to be in effect as December 31, 2017.

Plan of Operation

Beginning 2015, the Company began offering Medicare Part D enrollment for coverage in the State of Tennessee. The Company did not write any business in Alabama.

Advertising and Marketing

The Company had no marketing or advertising program in place. The Company did not write any business in Alabama.

Policyholder's Complaints

According to records of the Company and the Alabama Department of Insurance, there were no complaints filed against the Company during the examination period.

Claims Payment Practices

Paid Claims

The Company assumed 100% of Blue Cross and Blue Shield of Alabama Preferred Long Term Care Insurance business. A sample of 115 Alabama paid claims were selected from a total population of 2,517 Alabama transactions for the examination period (2013-2017). The sample was reviewed for compliance with the Company's policy provisions, timeliness of payments, and adequacy of documentation. The examination found that the claims were paid in compliance with ALA. CODE § 27-1-17(a)(1975), which states:

Each insurer, health service corporation, and health benefit plan that issues or renews any policy of accident or health insurance providing benefits for medical or hospital expenses for its insured persons shall pay for services rendered by Alabama health care providers within 45 calendar days upon receipt of a clean written claim or 30 calendar days upon receipt of a clean electronic claim. If the insurer, health service corporation, or health benefit plan is denying or pending the claim, the insurer, health service corporation, or health benefit plan shall, within 45 calendar days for a written claim and 30 calendar days for an electronic claim, notify the health care provider or certificate holder of the reason for denying or pending the claim and what, if any, additional information is required to process the claim. Any undisputed portion of the claim shall be paid in accordance with the foregoing schedule.

No discrepancies were found.

Closed without payment/Denied Claims

The Company had a total of thirteen denied and closed without payment claims reported in Alabama. The examiner obtained and reviewed denied letters to the claimants. The examiner determined the reason for denied claims was that the claims did not meet the standards of the policy provisions.

Compliance with Producer Licensing Requirements

The Company did not write any business in Alabama during the examination period. The Company did not have any licensed and appointed producers writing in Alabama. No review was necessary.

Underwriting and Ratings

The Company did not have any rate filings during the examination period. The Company did not write new business in Alabama during the examination period.

Privacy Standards

The Company's HIPAA Privacy Notice described how the medical information about the customer may be used to disclose and how they gain access to the information. The Privacy Statement detailed the privacy objectives regarding Security Practices, Use of Email, Cookies, Surveys and Forms, Updates to the Statement, and Confidentiality. The Company did not disclose nonpublic personal financial information that it received from nonaffiliated financial institutions. The Company had reasonable administrative, technical, and physical safeguards in place to secure the privacy of Protected Health Information (PHI). The Company complied with the privacy requirements of ALA. ADMIN. CODE 482-1-122 (2001).

SPECIAL DEPOSITS

The Company maintained the following deposit with the respective statutory authority at December 31, 2017, as required or permitted by law.

	Book/Adjusted	
State	Carrying Value	Fair Value
Alabama	\$199,173	\$198,590

FINANCIAL CONDITION/GROWTH OF THE COMPANY

	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>
2017	\$ 94,372,371	\$ 71,534,119	\$ 22,838,252	\$ 21,046,008
2016	84,506,674	64,434,339	20,072,335	22,911,951
2015	74,707,435	54,633,648	20,073,787	19,934,928
2014	64,251,045	53,288,383	10,962,662	4,227,493
2013	56,301,148	46,621,788	9,679,360	4,351,932

SCHEDULE T – EXHIBIT OF PREMIUMS WRITTEN

<u>States</u>	<u>Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees</u>
Tennessee	\$15,318,613
Plus reinsurance assumed	9,121,730
Totals (All Business)	24,440,343
Less reinsurance ceded	4,114,313
Totals (All Business) less Reinsurance Ceded	\$20,326,030

REINSURANCE

Assumed Reinsurance

100% Reinsurance Agreement – BCS Insurance Company

Effective March 1, 2004, the agreement was between the Company and 4 Ever Life Insurance Company (4 Ever Life) *(formerly known as BCS Life Insurance Company)*. Effective June 1, 2011, a novation was executed replacing 4 Ever Life with BCS Insurance Company (BCS) as the ceding company.

BCS ceded 100% of the risk associated with certificates of long-term care (LTC) insurance written for employees and retirees of BCS and its affiliates. The Company reimbursed BCS for 100% of the paid losses and the loss adjustment expenses related to the specific policy being reinsured. BCS paid the Company 100% of the net premiums, plus additional premiums (if applicable), less return premiums. The agreement contained insolvency, service of suit, dispute resolution, and errors and omission provisions.

On February 28, 2011, the agreement was terminated with respect to new business, but would cover the runoff business.

100% Reinsurance Agreement – Blue Cross and Blue Shield of Alabama

On February 9, 2011, Management informed the Department of Insurance that Blue Cross and Blue Shield of Alabama (BCBSAL) intended to transfer 100% of the risk associated with its long-term care (LTC) policies to the Company. BCBSAL had discontinued writing new LTC business in 2010. The risk transfer would be effective January 1, 2011, and all LTC policies would remain on BCBSAL paper. BCBSAL would financially guarantee the obligations assumed and fund the reserve liability at January 1, 2011.

The agreement was filed with the Alabama Department of Insurance, and the Commissioner approved it retroactively on September 30, 2013.

Ceded Reinsurance

Automatic Long-Term Care Retrocession Agreement – #3297

Effective March 1, 2004, the agreement was between the Company and Munich American Reassurance Company (MARC). The Company ceded and MARC accepted the risk associated with long-term care (LTC) policies issued on BCS Life Insurance Company (BCS Life) paper.

For claims on policies that have paid less than or equal to the equivalent value of 1,825 days of claims payments (pre-five year claims), the Ceding Company will retain 50% of the risk up to its Maximum Daily Benefit amount of \$300. For claims on policies that have paid the equivalent value of more than 1,825 days of claims payments (post-five year claims), the Ceding Company will retain 20% of the risk up to its Maximum Daily Benefit amount.

The Company paid 50% of the gross monthly premiums less a ceding allowance to MARC on a monthly basis. For lifetime policies, the Company paid an additional 6% of the gross monthly premium.

Effective June 1, 2011, Article I of the agreement was amended as follows: The insurance certificates formerly issued on BCS Life paper were novated to BCS Insurance Company (BCS). BCS would be 100% reinsured by the Company who in

turn would automatically cede to MARC a portion of all benefit amounts payable under the agreement.

The agreement contained insolvency, arbitration, and errors and omissions provisions. The agreement could be terminated by either party for new business on the third anniversary of the effective date; the date on which in-force premiums on reinsurance policies equaled or was greater than \$100 million; or via a ninety day advance notice issued by either party.

Effective October 31, 2009, the agreement was terminated with respect to new business.

Automatic Long-Term Care Agreement – Treaty #2707

Effective December 1, 2001, the agreement was between BCBSAL and MARC. Per the terms of the agreement, BCBSAL ceded and MARC accepted the risk associated with the LTC policies written by BCBSAL.

For claims on policies that have paid less than or equal to the equivalent value of 1,825 days of claims payments (pre-five year claims), the Ceding Company will retain 50% of the risk up to its Maximum Daily Benefit amount of \$300. For claims on policies that have paid the equivalent value of more than 1,825 days of claims payments (post-five year claims), the Ceding Company will retain 20% of the risk up to its Maximum Daily Benefit amount. The agreement contained arbitration, insolvency, errors and omissions, and termination provisions.

Effective January 1, 2011, all rights, obligations, duties and responsibilities under the agreement were assigned to the Company.

ACCOUNTS AND RECORDS

The Company utilized the hardware and software of Blue Cross and Blue Shield of Alabama (BCBSAL) to perform daily business activities. As such, the Company was heavily dependent on the internal controls of BCBSAL to ensure operational accuracy and security. A concurrent examination of BCBSAL IS general controls indicated there were sufficient controls in place to safeguard the Company's assets and generate adequate records of its business.

Ernst & Young, LLP (E&Y), Certified Public Accountants, Birmingham, Alabama, audited the Company for the five year examination period. Audit workpapers,

reports, and management letters for 2013 - 2017 were reviewed and utilized in the examination to the extent deemed appropriate.

The Company's opining actuary for the years 2013-2015 was Noel Winfred Carden, FSA, MAAA, Vice President and Chief Actuary for Blue Cross and Blue Shield of Alabama. Principal and Consulting Actuary, Christopher J. Giese, FSA, MAAA, served as the Company's opining actuary in 2016 and 2017.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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UTIC INSURANCE COMPANY
Statement of Assets, Liabilities, Surplus and Other Funds
For the Year Ended December 31, 2017

<u>ASSETS</u>	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	\$ 62,405,465		\$ 62,405,465
Common stocks	12,081,270		12,081,270
Cash (\$3,825,630), Schedule E -Part 1), cash equivalents (\$4,400,116 , Schedule E-Part 2) and short-term investments (0), Schedule DA)	8,225,746		8,225,746
Other invested assets (Schedule BA)	5,086,964		5,086,964
Subtotals, cash and invested assets	\$ 87,799,445		\$ 87,799,445
Investment income due and accrued	695,758		695,758
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	826,539		826,539
Accrued retrospective premiums and contracts subject to redetermination	561,000		561,000
Reinsurance: Amounts recoverable from reinsurers	92,474		92,474
Amounts receivable relating to uninsured plans	274,085		274,085
Net deferred tax asset	2,072,136	1,987,284	84,852
Guaranty funds receivable or on deposit	34,626		34,626
Receivables from parent, subsidiaries and affiliates	453,463		453,463
Health care (\$3,079,221) and other amounts receivable	3,807,381	257,252	3,550,129
TOTAL ASSETS	\$ 96,616,907	\$ 2,244,536	\$ 94,372,371
<u>LIABILITIES</u>			
Aggregate reserve for accident and health contracts			\$ 65,242,208
Contract claims: Accident and health			823,334
Interest Maintenance Reserve			231,098
General expenses due and accrued			1,058,477
Taxes, licenses and fees due or accrued, excluding federal income taxes			16,842
Current federal and foreign income taxes			774,953
Amounts withheld or retained by company as agent or trustee			581,578
Asset valuation reserve			2,039,130
Payable to parent, subsidiaries and affiliates			\$ 766,499
TOTAL LIABILITIES			\$ 71,534,119
<u>SURPLUS</u>			
Common Capital Stock			\$ 1,000,000
Gross paid in and contributed surplus			986,029
Aggregate write-ins for special surplus funds			362,636
Unassigned funds (surplus)			20,489,587
Surplus			\$ 22,838,252
TOTAL LIABILITIES, CAPITAL AND OTHER FUNDS			\$ 94,372,371

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

UTIC INSURANCE COMPANY
Statement of Summary of Operations
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Premiums and annuity considerations for life and health contracts	\$ 21,046,008	\$ 22,911,951	\$ 19,934,928	\$ 4,227,493	\$ 4,351,932
Net investment income	2,676,786	2,398,571	2,410,946	2,413,336	2,022,709
Amortization of Interest Maintenance Reserve	39,000	31,083	28,334	9,062	(385)
Commissions and expense allowances on reinsurance ceded	454,345	443,847	395,887	392,431	406,048
Aggregate write-ins for miscellaneous income	5,600,099	5,271,921	4,854,597	4,709,128	4,718,855
Totals	\$29,816,238	\$31,057,373	\$27,624,692	\$11,751,450	\$11,499,159
Disability benefits and benefits under accident and health contracts	13,224,709	12,960,432	12,568,244	313,472	301,211
Increase in aggregate reserves for life and accident health contracts	6,581,696	9,108,316	(1,528,298)	6,347,887	4,588,060
Totals	\$19,806,405	\$22,068,748	\$11,039,946	\$6,661,359	\$4,889,271
General insurance expenses	6,719,027	7,186,177	6,408,147	3,356,433	3,357,096
Insurance taxes, licenses and fees, excluding federal income taxes	26,900	(2,630)	39,944	21,619	132,709
Totals	\$26,552,332	\$29,252,295	\$17,488,037	\$10,039,411	\$8,379,076
Net gain from operations before dividends to policyholders and before federal income taxes	3,263,906	1,805,078	10,136,655	1,712,039	3,120,083
Net gain from operations after dividends to policyholders and federal income taxes	3,263,906	1,805,078	10,136,655	1,712,039	3,120,083
Federal and foreign income taxes incurred	807,829	1,137,901	567,335	338,943	532,549
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	2,456,077	667,177	9,569,320	1,373,096	2,587,534
Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$0 (excluding taxes of \$0 transferred to IMR)	\$0	\$0	12,917	105,865	2,899
Net income	\$2,456,077	\$667,177	\$9,582,237	\$1,478,961	\$2,590,433

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

UTIC INSURANCE COMPANY
Capital and Surplus Account
For the Year Ended December 31, 2017, 2016, 2015, 2014, 2013

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Capital and surplus, December 31, prior year	\$ 20,072,335	\$ 20,073,787	\$ 10,962,662	\$ 9,679,360	\$ 7,443,651
<u>Gains and (losses) in surplus</u>					
Net income	\$ 2,456,077	\$ 667,177	\$ 9,582,237	\$ 1,478,961	\$ 2,590,433
Change in net unrealized capital gains (losses) less capital gain tax	1,680,872	248,880	(135,921)	(51,828)	199,907
Change in net deferred income tax	(77,322)	678,778	(1,432,628)	21,328	(113,468)
Change in nonadmitted assets	(172,274)	(1,305,033)	1,115,503	28,015	64,752
Change in asset valuation reserve	(1,121,436)	(291,254)	(18,066)	(193,174)	(291,551)
Dividends to Stockholders	-	-	-	-	(214,364)
Net change in capital and surplus for the year	\$ 2,765,917	\$ (1,452)	\$ 9,111,125	\$ 1,283,302	\$ 2,235,709
Capital and surplus, December 31, current year	\$ 22,838,252	\$ 20,072,335	\$ 20,073,787	\$ 10,962,662	\$ 9,679,360

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL
PART THEREOF**

NOTES TO FINANCIAL STATEMENTS

Analysis of Changes to Surplus

No adjustments were made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

Examination of these items included: reviewing the Annual Statement disclosures, generally reviewing the Company's records and files, and inquiring of Company management. As of December 31, 2017, there were no pending litigation or material contingent liabilities identified.

SUBSEQUENT EVENTS

The general ledger and cash transactions occurring subsequent to the balance sheet date were reviewed. Additionally, the examiners inquired of management regarding any significant subsequent events.

The President and Chief Executive Officer, Terry Dee Kellogg was replaced by Timothy Vines.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted with regards to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with those recommendations.

COMMENTS AND RECOMMENDATIONS

Conflict of Interest – Page 6

It is recommended that the Company ensure that all active officers and directors complete and submit the Conflict of Interest Statement on an annual basis as required by the Company's Conflict of Interest Policy.

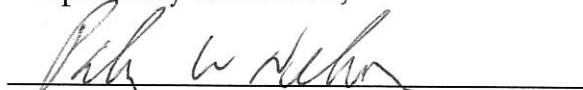
CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the officers of UTIC Insurance Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Theo Goodin, MCM; Charles Turner, CISA; Jacob Grissett; William Smith; Kevious Hollenquest; and Agnes (Denise) Riggins, examiners for the Alabama Department of Insurance, and Kirk Braunius, ASA, MAAA, consulting actuary with Merlinos & Associates, Inc. represented the Alabama Department of Insurance and participated in the examination of UTIC Insurance Company.

Respectfully submitted,



Palmer W. Nelson, CFE
Examiner-in-Charge
State of Alabama
Department of Insurance